

Message Text

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15

ACTION EB-03

INFO OCT-01 SS-14 ISO-00 NEA-06 EA-06 AF-04 ARA-06 EUR-08

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R 290710Z APR 75

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 2862

INFO AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

AMEMBASSY BEIRUT

AMEMBASSY CARACAS

AMEMBASSY DOHA

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY LAGOS

AMEMBASSY LIBREVILLE

AMEMBASSY LONDON

AMEMBASSY QUITO

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

USMISSION OECD PARIS

USMISSION EC BRUSSELS

C O N F I D E N T I A L KUWAIT 1839

LIMDIS

E.O. 11652: GDS

TAGS: ENRG, EALR, EIND, KU

SUBJECT: KUWAIT GAS SHORTAGE BECOMING SERIOUS?

1. MINISTER OF OIL KAZEMI WAS GIVEN STAFF STUDY APRIL 28
WHICH SHOWS POTENTIALLY SERIOUS GAS SHORTAGE DEVELOPING IN
KUWAIT THIS SUMMER. EMBASSY HAS SUBMITTED SEVERAL REPORTS
IN PAST YEAR ON THIS SUBJECT, BUT ACCORDING INFORMATION
RECEIVED FROM KNOWLEDGEABLE SOURCE (EASILY IDENTIFIABLE IF
THIS INFORMATION LEAKED), KUWAIT MAY NOT HAVE ENOUGH ASSOCIATED GAS
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FOR CONSUMPTION DURING PEAK ELECTRICAL USE PERIODS THIS

SUMMER IF PRODUCTION DIPS BELOW 1.5 MILLION BPD. (PRESENT PRODUCTION HAS BEEN FLUCTUATING BETWEEN 1.8 AND 2.3 MIL BPD). THIS PROBLEM LARGELY DUE TO TYPE OF ELECTRICAL GENERATING STATIONS IN USE WHICH REQUIRE GAS OR EXTREMELY LIGHT FUEL. WHILE NEW STATIONS BEING BUILT FOR EITHER GAS OR OIL, PROBLEM IS LIKELY TO GROW WORSE BECAUSE OF NEW ENERGY-INTENSIVE INDUSTRIES BEING PLANNED AND LPG PROJECT SCHEDULED FOR COMPLETION IN 1978.

2. SOURCE TOLD EMBOFF STUDY PROJECTS THAT RATHER THAN COUNTRY FULLY UTILIZING ITS ASSOCIATED GAS BY 1981-83 PERIOD GAS MAY BE FULLY UTILIZED EVEN AT PRODUCTION LEVELS ABOVE 2 MIL BPD BY 1978. BY 1980'S KUWAIT EXPECTED TO SPEND \$500 MILLION PER YEAR FOR DOMESTIC ENERGY CONSUMPTION. SOURCE FURTHER CLAIMED THAT EXPLOITATION OF OFFSHORE GAS WOULD PROBABLY NOT OCCUR SOON ENOUGH TO FORESTALL THIS DEVELOPMENT.

3. THUS, WOULD APPEAR KUWAIT HAS TWO OPTIONS; (A) EITHER TO SLOW PLANS FOR INDUSTRIAL VERTICAL AND HORIZONTAL EXPANSION OF OIL INDUSTRY AND DIVERSIFICATION OF NON-OIL INDUSTRY, OR (B) INCREASE PRODUCTION.

4. ALREADY RECOMMENDATION HAS BEEN MADE TO MINISTER THAT ONLY TWO-THIRDS OF LPG PROJECT CAPACITY BE BUILT (ORIGINALLY SCHEDULED TO HANDLE GAS AT RATE PRODUCTION 3MIL BPD). MOREOVER, SOURCE TOLD EMBOFF NO GAS HAS BEEN REINJECTED INTO WELLS FOR SOME MONTHS.

5. COMMENT: STUDY COULD BE SUBSTANTIALLY IN ERROR, AND WE SHOULD NOT IMMEDIATELY ASSUME THAT PRESSURE FOR KUWAIT TO PRODUCE MORE OIL (AND PRESUMABLY BECOME MORE DOVISH ON PRICES) IS AT HAND. WE DO NOT BELIEVE KUWAIT WILL REDUCE PRODUCTION TO 1.5 MILLION BPD. NEVERTHELESS, PROBLEM IS SIGNIFICANT ONE AND IS MUCH MORE LIKELY THAN BUDGETARY PRESSURE, WHICH MAIN FACTOR IN MANY OTHER OPEC STATES, TO FORCE KUWAIT TO MAKE SOME UN-PALATABLE CHOICES.
STOLTZFUS

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